LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7235
BILL NUMBER: HB 1309
NOTE PREPARED: Jan 14, 2004
BILL AMENDED:

SUBJECT: Worker's Compensation.

FIRST AUTHOR: Rep. Liggett
FIRST SPONSOR:
BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
X **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill establishes a process for transferring an employee's medical treatment to another attending physician. It establishes a premium surcharge on worker's compensation insurance policies and an assessment on the payroll of self-insured employers to fund the administrative expenses of the Worker's Compensation Board (WCB). The bill makes changes in the computation and payment of worker's compensation and occupational disease benefits.

Effective Date: July 1, 2004.

Explanation of State Expenditures: *Medical Treatment Procedure:* The bill does not allow the transfer of treatment after medical treatment under work's compensation has began unless the employee requests transfer, the attending physician requests that the physician's treatment be discontinued, or WCB determines there is good cause for the transfer. WCB may incur some cost if there are requests for transfer for good cause from employers, but the increase in expense would probably be minor. Other state costs might occur as an employer.

Worker's Compensation Benefits: The bill changes the computation and payment of worker's compensation and occupational disease benefits. Under current law, an employee can receive 2/3 of their average weekly salary for a maximum of 500 weeks. The bill would remove the 500-week limit and also provide for an annual adjustment in benefits equal to the annual increase in the state average weekly wage. The annual adjustment is paid from the Rate Adjustment Fund .

The current minimum benefit is $75 per week. The bill would modify the minimum so it is based on the number of children in the family. The bill would change the minimum benefit to:

1. $80.90 per week for a single employee.
2. $83.20 per week for a married employee without children.
3. $86.10 per week for an employee with 1 child.
4. $88.90 per week for an employee with 2 children.
5. $91.80 per week for an employee with 3 children.
6. $96.90 per week for an employee with more than 3 children.

The current maximum weekly benefit is $882. The bill would change the maximum benefit to 133% of the state average weekly wage.

Under current law, compensation for the loss of a body part or the permanent and complete loss of the use of a body part is based on the degree of impairment. The bill would change the calculation to 60% of the employee's average weekly salary for a certain number of weeks depending on the impairment. The number of weeks varies from 6 to 500 depending on the impairment.

The bill also changes the death benefit from a maximum of 500 weeks of compensation to 20 years of weekly benefits or $250,000, reduced by the compensation paid to the employee before the employee's death.

It is difficult to determine the potential cost of these changes. An actuarial analysis of these changes is being performed by the National Council on Compensation Insurance (NCCI). [Note: The results of the actuarial analysis are not currently available. The note will be updated when NCCI finishes their analysis.] The benefits are similar to the worker's compensation benefits provided in Illinois. According to the Illinois Industrial Commission FY 2002 Annual Report, Indiana's benefits as a percentage of payroll were 0.63% and Illinois's benefits were 0.82%, a 33.9% difference. Premiums for workers' compensation for 2002 were about $700 M statewide. If Indiana had a similar experience to Illinois, then the increase in premiums would be about $237 M.

The state is impacted as an employer. The state spent $3.7 M in FY 1999, $3.9 M in FY 2000, $4.5 M in FY 2001, $5.3 M in FY 2002, and $5.0 M in FY 2003 on worker's compensation payments. The maximum increase in benefits would be about $1.7 M for annually.

Explanation of State Revenues: The bill requires the WCB to assess a surcharge on insurers and self-insurers of worker's compensation to pay the operation of WCB. The WCB's administrative costs for FY 2005 are budgeted at $1.8 M .

The bill creates the Rate Adjustment Fund to pay for annual adjustments for employees receiving worker's compensation benefits. The adjustments are funded by a fee of 0.75% of all worker's compensation payments paid by an employer the preceding calendar year. The fee would raise about $3.9 M annually.

Explanation of Local Expenditures: Local governments and school corporations could incur an indeterminable increase in expenses as a result of these proposals (see *Explanation of State Expenditures*). Like the state, most of these units are self-insured and would directly bear any additional costs related to "disabled from trade" compensation. For any entities purchasing private worker's compensation insurance, the cost of insurance premiums would likely increase as a result of this proposal.

Explanation of Local Revenues:

State Agencies Affected: Worker's Compensation Board; All State Agencies.

Local Agencies Affected: All Local Units of Government.

Information Sources: Indiana Compensation Ratings Bureau website, http://www.icrb.net and Illinois Industrial Commission FY 2002 Annual Report.

Fiscal Analyst: Chuck Mayfield, 317-232-4825.